

OSCEOLA COUNTY

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

*De Noble & Company PC
Certified Public Accountants
Rock Rapids, Iowa*

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Osceola County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
Philip Bootsma	Board of Supervisors	December 31, 2012
William Imhoff	Board of Supervisors	December 31, 2012
Larry Pedley	Board of Supervisors	December 31, 2012
Michael Schulte	Board of Supervisors	December 31, 2012
Roger Sixta	Board of Supervisors	December 31, 2012
Barbara Echter	County Auditor	December 31, 2012
Douglas Weber	County Sheriff	December 31, 2012
Robert Hansen	County Attorney	December 31, 2014
Arlene Kuehl	County Recorder	December 31, 2014
Becky Marco	County Treasurer	December 31, 2014
Thomas Snyder	County Engineer	July 27, 2012
Nicholas Schmalen	County Conservation Director	Indefinite (Appointed)
Sharon Wolter	County Assessor	December 31, 2015 (Appointed)
Dan Bechler	County Emergency Management Director	Indefinite (Appointed)
Jerry Johnson	Public Safety Commission Board Member	December 31, 2012
Arlyn Pedley	Public Safety Commission Board Member	December 31, 2012
Jayson Vandehoef	Public Safety Commission Board Member	December 31, 2012
Jeff Loring	Public Safety Commission Board Member	December 31, 2012
Gary Benz	Public Safety Commission Board Member	December 31, 2012
Michael Schulte	Public Safety Commission Board Member	December 31, 2012
Philip Bootsma	Public Safety Commission Board Member	December 31, 2012
Dan Grote	Public Safety Commission Board Member	July 1, 2011-December 31, 2011
Patrick DeVries	Public Safety Commission Board Member	January 1, 2012-December 31, 2012

DE NOBLE & COMPANY PC

Certified Public Accountants

MEMBERS

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Private Companies Practice Section
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Independent Auditor's Report

To the Officials of Osceola County:

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the component unit of Osceola County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Osceola County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information and the component unit of Osceola County at June 30, 2012, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013 on our consideration of Osceola County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 56 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osceola County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven fiscal years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Siebrecht Spitler & De Noble PC (Siebrecht Spitler & De Noble PC was formally dissolved and De Noble & Company PC is one of the two new companies that were formed directly from this dissolution) previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two fiscal years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



De Noble & Company PC
Certified Public Accountants

June 28, 2013

Management Discussion and Analysis

Osceola County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Fiscal Year 2012 Financial Highlights

- The County's governmental funds revenues/capital assets sold for fiscal year 2012 were \$6,916,502, compared to \$6,977,258 in fiscal year 2011, a decrease of \$60,756 or .87%. Property taxes and other county tax increased by \$142,596 or 4.99%. Intergovernmental revenues decreased by \$74,617 or 2.48%. Miscellaneous revenues decreased by \$34,096 or 30.15%. There were no sales of capital assets in fiscal year 2012, while there were \$30,913 in capital asset sales in fiscal year 2011. All other revenue classifications netted to a decrease of \$63,726.
- The County's governmental funds expenditures for fiscal year 2012 were \$6,988,522 compared to \$6,878,340 in fiscal year 2011, an increase of \$110,182 or 1.60%. The public safety and legal services function had the largest increase of \$145,360 or 12.58%. The mental health function increased \$122,622 or 17.75%. The roads and transportation function decreased by \$71,650 or 2.61%. All other expenditures functions decreased by a net of \$86,150.
- The County's governmental funds fund balances for fiscal year 2012 were \$2,957,459 compared to \$3,029,479 in fiscal year 2011, a decrease of \$72,020 or 2.38%. The Secondary Road Fund had the largest fund balance increase of \$80,367. The Mental Health Fund decreased by \$62,017, the Rural Services Fund decreased by \$62,017 and the General Fund decreased by \$35,202.
- The County's government-wide net assets for fiscal year 2012 were \$12,258,453, compared to \$12,141,682 in fiscal year 2011, an increase of \$116,771 or .96%.
- The County's governmental activities revenues for fiscal year 2012 were \$6,936,138, compared to \$7,969,822 in fiscal year 2011, a decrease of \$1,033,684 or 12.97%. The reason for the large decrease was primarily due to \$1,067,925 in capital grants for roadway projects in fiscal year 2011 and none in fiscal year 2012.
- The County's governmental activities expenses for fiscal year 2012 were \$6,819,367, compared to \$6,838,008 in fiscal year 2011, a decrease of \$18,641 or .27%.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Osceola County as a whole and present an overall view of the County's finances, including data on the County's discretely presented component unit, the Public Safety Commission.

- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Osceola County's operations in more detail than the governmental-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Osceola County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds and the individual Agency Funds. In addition, financial statement and budgetary comparison information is presented for the Public Safety Commission.

Reporting the County's Financial Activities

Government-Wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse as a result of the year's activities?" The statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram current, interest on long-term debt and small (noncapitalized) capital projects. Property tax, tax increment financing and intergovernmental financing (grants) fund most of these activities. The County has no business type activities.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the legally separate Public Safety Commission for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows in and out of these funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads, Urban Renewal District 1 Plan Area Revenue, Urban Renewal District 1 Revenue Surplus and Urban Renewal District 1 Principle and Interest Sinking. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the E911 Fund, Emergency Management Services Fund, the County Assessor's Funds and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Component Unit

As discussed earlier, the Public Safety Commission is a component unit of the County. The Public Safety Commission does not issue separate financial statements, so basic financial statement information is included in the County's other supplementary information (schedules). This information is reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The information provides a detailed, short-term view of the governmental operations and the basic services it provides. This information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Public Safety Commission's programs. The Public Safety Commission adopts its budget on a cash basis.

Some of the financial highlights for fiscal year 2011/2012 for the Public Safety Commission include:

- The discretely presented component unit – Public Safety Commission's government-wide net assets for fiscal year 2012 were \$362,127 compared to \$407,190 in fiscal year 2011, a decrease of \$45,063 or 11.07%. The Public Safety Commission's governmental activities revenues for fiscal year 2012 were \$986,581 compared to \$982,699 in fiscal year 2011, an increase of \$3,882 or 0.40%. The Public Safety Commission's governmental activities expenses for fiscal year

2012 were \$1,031,644 compared to \$1,034,134 in fiscal year 2011, a decrease of \$2,490 or 0.24%. Revenues and expenses both remained consistent with the prior year.

- The Public Safety Commission's fund financial statements had modified accrual basis revenues for fiscal year 2012 of \$988,622 compared to \$982,155 in fiscal year 2011, an increase of \$6,467 or 0.66%.
- The Public Safety Commission's fund financial statements had modified accrual basis expenditures for fiscal 2012 of \$995,687 compared to \$1,035,016 in fiscal year 2011, a decrease of \$39,329 or 3.80%. Expenditures decreased primarily in the uniformed patrol services area, which had a decrease of \$47,780 or 7.89%, due to no capital asset purchases in fiscal year 2012.
- The Public Safety Commission's fund balance for fiscal year 2012 was \$277,094 compared to \$284,159 in fiscal year 2011, a decrease of \$7,065 or 2.49%. This compares to a decrease of \$49,747 or 14.90% from fiscal year 2010 to fiscal year 2011.
- The Public Safety Commission did not exceed its final budgeted disbursements for fiscal year 2012. Public Safety Commission's actual cash basis disbursements of \$999,249 came in \$61,251 under budget. For fiscal year 2012, the Public Safety Commission's actual ending cash balance of \$260,138 was \$69,905 higher than the final budget's anticipated ending cash balance of \$190,233.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental activities and the component unit from a year ago.

Net Assets				
	Governmental Activities		Public Safety Commission	
	June 30,		June 30,	
	2012	2011	2012	2011
Current and Other Assets	\$ 7,432,635	7,226,555	282,340	294,492
Capital Assets	10,805,657	11,186,899	168,434	196,458
Total Assets	18,238,292	18,413,454	450,774	490,950
Other Liabilities	4,299,306	4,041,745	4,218	7,264
Long-term Liabilities	1,680,533	2,230,027	84,429	76,496
Total Liabilities	5,979,839	6,271,772	88,647	83,760
Net Assets:				
Invested in Capital Assets, Net of Related Debt	10,476,382	10,816,362	168,434	196,458
Restricted	2,718,417	2,290,858	0	0
Unrestricted	(936,346)	(965,538)	193,693	210,732
Total Net Assets	\$ 12,258,453	12,141,682	362,127	407,190

The largest portion of Osceola County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources that are subject to

external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Of the total net assets for the County's governmental activities, invested in capital assets decreased by \$339,980, restricted net assets increased by \$427,559 (mainly due to an increase in amounts restricted for secondary roads purposes), and unrestricted net assets increased by \$29,192.

	Changes in Net Assets			
	Governmental Activities		Public Safety Commission	
	Year Ended		Year Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Revenues:				
Program Revenues:				
Charges for Service	\$ 431,329	\$ 492,322	\$ 979,206	\$ 974,374
Operating Grants, Contributions and Restricted Interest	2,770,752	2,715,521	7,375	8,325
Capital Grants, Contributions and Restricted Interest	8,240	1,087,480	0	0
General Revenues:				
Property Tax Levied for:				
General Purposes	2,661,480	2,518,073	0	0
Unified Law	336,106	329,915	0	0
Tax Increment Financing	464,851	496,087	0	0
Penalty and Interest on Property Tax	18,619	20,587	0	0
State Tax Credits	159,824	161,242	0	0
Grants and Contributions Not Restricted to Specific Purposes	5,256	11,530	0	0
Unrestricted Investment Earnings	21,636	29,104	0	0
Rents	43,615	49,099	0	0
Drainage Assessments	8,454	4,551	0	0
Miscellaneous	5,976	54,311	0	0
Total Revenues	6,936,138	7,969,822	986,581	982,699
Program Expenses:				
Public Safety and Legal Services	1,119,015	1,352,975	0	0
Physical Health and Social Services	219,573	245,925	0	0
Mental Health	813,627	692,125	0	0
County Environment and Education	394,941	275,220	0	0
Roads and Transportation	2,980,248	2,927,146	0	0
Governmental Services to Residents	291,914	263,581	0	0
Administration	702,784	706,467	0	0
Nonprogram Current	65,543	69,564	0	0
Interest on Long-Term Debt	57,622	69,422	0	0
Capital Projects	174,100	235,583	0	0
Public Safety Commission	0	0	1,031,645	1,034,134
Total Expenses	6,819,367	6,838,008	1,031,645	1,034,134
Increase in Net Assets	116,771	1,131,814	(45,064)	(51,435)
Net Assets Beginning of Year	12,141,682	11,009,868	407,190	458,625
Net Assets End of Year	\$ 12,258,453	\$ 12,141,682	362,126	407,190

The County's portion of governmental activities costs financed by users (charges for service) decreased by \$60,993 or 12.39% (mainly in the public safety and legal services function). Operating grants, contributions and restricted interest increased by \$55,231 or 2.03% (mainly in the roads and transportation function). Capital grants, contributions and restricted interest decreased by \$1,079,240 or 99.24% (due to a large decrease in the roads and transportation function). General revenues increased by \$51,318 or 1.40% (mainly due to property and other county taxes levied for general purposes).

Program expenses for governmental activities this fiscal year decreased by \$18,641 or .27%.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Major Fund Highlights

Osceola County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Osceola County completed fiscal year 2012, its governmental funds reported a combined fund balance of \$2,957,459. This is in comparison to fiscal year 2011, when the combined fund balance was \$3,029,479. This is a \$72,020 decrease from last year. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

GENERAL FUND: The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses of the County are paid from this fund. The fiscal year 2012 General Fund ending fund balance was \$1,045,353. This is in comparison to last fiscal year when the fund balance was \$1,080,555. This is a \$35,202 decrease from last year or 3.26%. Of the June 30, 2012 fund balance, \$21,798 is nonspendable, \$529,121 is restricted and \$494,434 is unassigned. Despite an increase in property and other county taxes, revenues decreased by \$30,965 (due to a decrease in intergovernmental revenues, charges for service and miscellaneous revenues). Expenditures increased by \$130,835 (primarily due to an increase in public safety and legal services, due to a lawsuit settlement with a Sheriff's deputy). The General Fund also transferred \$35,000 to the Secondary Roads Fund in fiscal year 2012.

MENTAL HEALTH FUND: The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The fiscal year 2012 Mental Health ending fund balance was \$(141,236). This is in comparison to last fiscal year when the fund balance was \$(79,219). This is a \$62,017 decrease from last year or 78.29%. For fiscal year 2012, revenues increased by \$50,187 (intergovernmental revenues increased), but expenditures increased by \$122,622 (mostly in the metal retardation and mental health problems/mental illness areas).

RURAL SERVICES FUND: The Rural Service Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas, including secondary road and sanitarian services, but excluding services financed by other statutory funds. The fiscal year 2012 Rural Services ending fund balance was \$45,840. This is in comparison to last fiscal year when the fund balance was \$105,844. This is a \$60,004 decrease from last year or 56.69%. The County transferred \$681,251 from the Rural Services Fund to the Secondary Roads Fund in fiscal year 2012 (compared to \$664,064 in fiscal year 2011). Revenues increased by \$51,477 (due to property and other county tax collections), but the revenue increase was partially offset by an increase in expenditures by \$20,464 (the increase was in the county environment and education function).

SECONDARY ROADS FUND: The Secondary Roads Fund is used to account for secondary road construction and maintenance. The fiscal year 2012 Secondary Roads ending fund balance was \$1,853,182. This is in comparison to last fiscal year when the fund balance was \$1,772,815. This is an \$80,367 increase from last year or 4.53%. Revenues decreased by \$60,790 (intergovernmental revenues decreased); expenditures decreased by \$149,672 (the roads and transportation and capital projects both decreased by a similar amount); there were no sale of capital assets in fiscal year 2012 (compared to \$30,413 in fiscal year 2011) and operating transfers in amounted to \$716,251 (compared to \$664,064 in fiscal year 2011).

URBAN RENEWAL DISTRICT 1 PLAN AREA REVENUE FUND: The Urban Renewal District 1 Plan Area Revenue Fund is used to account for the collection of tax increment financing from Otter Creek Ethanol, LLC. The tax increment financing proceeds are being collected in order to satisfy urban renewal revenue capital loan note debt service requirements. For fiscal year 2012, this fund had revenues of \$377,209 (compared to \$403,868 in fiscal year 2011), transfers out of \$377,575 (compared to \$403,832 in fiscal year 2011), a beginning fund balance of \$1,597 and an ending fund balance of \$1,231.

URBAN RENEWAL DISTRICT 1 REVENUE SURPLUS: The Urban Renewal District 1 Revenue Surplus Fund is used to account for Urban Renewal District 1 Plan revenues in excess of the scheduled principal and interest payments on the revenue capital loan notes and the Reserve Fund requirement of \$284,500. Money in this fund is to be used for early redemption of the urban renewal revenue capital loan notes in \$5,000 increments on June 1st of each year. This fund for fiscal year 2012 had net transfers in of \$129,025 (compared to \$143,705 in fiscal year 2011), expenditures of \$130,000 (compared to \$145,000 in fiscal year 2011) for early redemption of revenue capital loan notes, a beginning fund balance of \$2,667 and an ending balance of \$1,692.

URBAN RENEWAL DISTRICT 1 PRINCIPAL AND INTEREST SINKING FUND: The Urban Renewal District 1 Principal and Interest Sinking Fund is used to account for the payment of principal and interest on the urban renewal revenue capital loan notes. This fund for fiscal year 2012 had net transfers in of \$248,550 (compared to \$260,127 in fiscal year 2011), expenditures of \$248,550 (compared to \$260,127 in fiscal year 2011) and a beginning and ending fund balance of \$0.

OTHER SPECIAL REVENUE FUNDS: The other Special Revenue Funds, which include the Recorder's Records Management, Sheriff's Asset Forfeiture, Resource Enhancement and Protection, Unified Law Levy, Drainage Districts, County Attorney Incentive Fund, Urban Renewal District 1 Revenue Reserve and the County Tax Increment Financing Fund, are classified as nonmajor Special Revenue Funds. Nonmajor Special Revenue Funds' fund balances increased during fiscal year 2012 by \$6,177 (from \$145,220 to \$151,397).

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except blended component units (drainage districts) and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, Osceola County amended its budget four times. The dates of the budget amendments, the amounts changed and the most significant reasoning for the changes are as follows:

<u>Budget Amendment Date</u>	<u>Amounts Changed</u>	<u>Reasoning for Changes</u>
September 27, 2011	Receipts = \$68,582 Increase Disbursements = \$92,677 Increase	Grant proceeds Grant disbursements; medical examiner costs; special election costs
February 21, 2012	Receipts = \$25,508 Increase Disbursements = \$70,808 Increase	Grant proceeds Courthouse repairs; conservation costs; Enterprise Park costs; Mental Health charges
March 27, 2012	Receipts = \$1,424 Increase Disbursements = \$203,510 Increase	Sale of crops Lawsuit settlement
April 10, 2012	Receipts = \$37,059 Increase Disbursements = \$116,459 Increase	Risk pool funding (Mental Health) Jail: fire alarms, stool and ceiling repairs; ambulance costs; Mental Health charges

The County ended up collecting more than its budgeted revenues by \$147,858 and coming in below its budgeted disbursements by \$547,100. The actual beginning cash basis balance was \$141,302 higher than budgeted and the ending cash basis balance was \$836,260 higher than budgeted.

Capital Assets and Debt Administration

Capital Assets

Osceola County concluded fiscal year 2012 with \$14,903,706 invested in a broad range of capital assets. The Public Safety Commission concluded fiscal year 2012 with \$454,176 invested in a broad range of capital assets. The capital assets include public safety/secondary roads/conservation equipment, buildings, land, roads and bridges. See Note to the Financial Statements (5) for more information about the County's and Public Safety Commission's capital assets.

Capital Assets at Year End				
	Governmental Activities		Public Safety Commission	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Land	\$ 1,496,356	\$ 1,515,256	\$ 0	\$ 0
Buildings and Improvements	919,378	919,378	0	0
Machinery, Equipment and Vehicles	5,165,297	5,231,905	454,176	454,176
Infrastructure	7,322,675	7,238,667	0	0
Total	<u>\$ 14,903,706</u>	<u>\$ 14,905,206</u>	<u>\$ 454,176</u>	<u>\$ 454,176</u>

This fiscal year's major additions for the County's governmental activities included a lawn mower, a groomer, a fire alarm system for the jail and an asphalt overlay on a county line bridge. The Public Safety Commission did not purchase or dispose of any capital assets in fiscal year 2012.

The County's governmental activities had depreciation expense of \$479,132 in fiscal year 2012 and total accumulated depreciation of \$4,098,049 on June 30, 2012. The Public Safety Commission had depreciation expense of \$28,024 in fiscal year 2012 and total accumulated depreciation of \$285,742 on June 30, 2012.

Long-Term Debt

At June 30, 2012, the County had the following debt issuances outstanding:

	Urban Renewal Revenue Capital Loan Notes	OCEDC General Obligation Loan	Osceola Electric Coop General Obligation Loan
July 1, 2011 Balances	\$ 1,575,000	112,237	258,300
Principal Payments (FY 2012)	325,000	4,362	36,900
June 30, 2012 Balances	\$ 1,250,000	107,875	221,400

The urban renewal revenue capital loan notes were issued for the purpose of paying the costs of aiding in the planning, undertaking and carrying out of an urban renewal project, including road improvements, traffic and rail control devices and a grant to Otter Creek Ethanol, LLC, in the Osceola County Urban Renewal District 1 Plan Area. The notes are payable solely from the income and proceeds of the Special Revenue, Urban Renewal District 1 Plan Area Revenue Fund and the taxes paid into the fund in accordance with Chapter 403.19 of the Code of Iowa.

The loan with the Osceola County Economic Development Commission was used to purchase real estate known as "Hawkeye Point". The fiscal year 2012 principal payment was made through the Rural Services Fund.

The loan with the Osceola Electric Cooperative, Inc. (Rural Economic Development Loan and Grant Program) was used to assist in the purchase of 41 acres of land near Highways 9 and 60. This land was purchased for economic development purposes. The fiscal year 2012 principal payment was made through the Rural Services Fund.

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits (this figure is 100% valuation less military exemptions). Osceola County's outstanding debt is significantly below its constitutional debt limit of approximately \$29 million. Additional information about the County's long-term debt, including information on the urban renewal revenue capital loan notes and general obligation loans provisions, plus additional long-term debt related to compensated absences and the net OPEB liability, is presented in Notes to the Financial Statements (7) and (9).

Economic Factors and Next Year's Budgets and Rates

Osceola County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and the fees for various County activities. Factors include the economy, state funding levels and property valuations for fiscal year 2012. Unemployment as of August 2012 in Osceola County was 4.9% (this compares with the State of Iowa unemployment rate of 5.3% and a national rate of 8.3%).

These types of indicators were taken into account when adopting the County's budget for fiscal year 2013. The fiscal year 2012 actual figures for funds required to be budgeted and the original adopted budget for fiscal year 2013 for receipts and disbursements are as follows:

	Fiscal Year 2012 Actual	Fiscal Year 2013 Original Adopted Budget
Receipts:		
Property and Other County Tax	\$ 3,478,692	\$ 3,838,989
Interest and Penalty on Property Tax	26,493	0
Intergovernmental	2,944,549	2,823,157
Licenses and Permits	24,933	12,100
Charges for Service	339,418	280,520
Use of Money and Property	68,231	118,577
Miscellaneous	60,817	51,340
Total Receipts	<u>\$ 6,943,133</u>	<u>\$ 7,124,683</u>

Disbursements		
Public Safety and Legal Services	\$1,315,597	\$ 1,187,143
Physical Health and Social Services	227,007	237,450
Mental Health	614,041	693,480
County Environment and Education	381,305	559,434
Roads and Transportation	2,721,701	2,715,000
Governmental Services to Residents	276,959	284,988
Administration	679,497	703,952
Nonprogram Current	65,543	65,530
Debt Service	424,788	438,185
Capital Projects	128,186	285,000
Total Disbursements	<u>\$ 6,834,624</u>	<u>\$ 7,170,162</u>

The property taxation by type and tax rates per \$1,000 taxable valuation for fiscal year 2012 and 2013 are as follows:

Property Taxation by Type

	Fiscal Year 2012	Fiscal Year 2013
Countywide Levies	\$ 1,979,383	\$ 2,139,985
Rural Only Levies	\$ 1,085,753	\$ 1,255,134
TIF Tax Revenues	\$ 496,389	\$ 508,459
Utility Replacement Excise Tax	\$ 89,572	\$ 95,014

Tax Rates per \$1,000 Taxable Valuation

	Fiscal Year 2012	Fiscal Year 2013
Urban Areas	5.41982	5.37760
Rural Areas	9.19027	9.34676

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Osceola County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Osceola County Auditor's office, 300 7th Street, Sibley, Iowa 51249 (phone number: 712-754-2241).

Source: Unemployment: <http://www.iowaworkforce.org>

Osceola County
Basic Financial Statements

Osceola County

Statement of Net Assets

June 30, 2012

	Primary Government Governmental Activities	Component Unit Public Safety Commission
Assets		
Cash and Pooled Investments	\$ 2,889,776	\$ 260,138
Receivables:		
Property Tax:		
Delinquent	1,647	0
Succeeding Year	3,302,925	0
Tax Increment Financing:		
Succeeding Year	504,503	0
Interest and Penalty on Property Tax	5,489	0
Accounts Receivable	8,078	0
Accrued Interest	4,087	0
Due from Primary Government	0	6,677
Due from County's Agency Funds	182,463	1,028
Due from Other Governments	170,899	0
Inventories	321,358	0
Prepaid Expenses	41,410	14,497
Capital Assets (Net of Accumulated Depreciation)	10,805,657	168,434
Total Assets	18,238,292	450,774
Liabilities		
Accounts Payable	190,140	3,981
Salaries and Benefits Payable	19,924	237
Compensated Absences	7,077	0
Due to Component Unit	6,677	0
Due to Other Governments	264,276	0
Accrued Interest Payable	3,484	0
Deferred Revenue:		
Succeeding Year Property Tax	3,302,925	0
Succeeding Year Tax Increment Financing	504,503	0
Other	300	0

Osceola County

Statement of Net Assets

June 30, 2012

	Primary Government Governmental Activities	Component Unit Public Safety Commission
Liabilities (Continued)		
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences	67,339	64,129
Urban Renewal Revenue Capital Loan Notes	195,000	0
OCEDC General Obligation Loan	4,576	0
Osceola Electric Coop. General Obligation Loan	36,900	0
Portion Due or Payable After One Year:		
Urban Renewal Revenue Capital Loan Notes	1,055,000	0
OCEDC General Obligation Loan	103,299	0
Osceola Electric Coop. General Obligation Loan	184,500	0
Net OPEB Liability	33,919	20,300
Total Liabilities	5,979,839	88,647
Net Assets		
Invested in Capital Assets, Net of Related Debt	10,476,382	168,434
Restricted for:		
Supplemental Levy Purposes	310,307	0
Conservation Land Acquisition Purposes	188,418	0
Jail Improvements/Courthouse Security Purposes	126,635	0
Rural Services Purposes	55,462	0
Secondary Roads Purposes	1,815,222	0
Other Purposes	222,373	0
Unrestricted	(936,346)	193,693
Total Net Assets	\$ 12,258,453	\$ 362,127

See notes to financial statements.

Osceola County

Statement of Activities

Year Ended June 30, 2012

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Expenses		Services		
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Public Safety and Legal Services	\$ 1,119,015	222,505	12,370	0
Physical Health and Social Services	219,573	818	68,490	0
Mental Health	813,627	7,936	550,759	0
County Environment and Education	394,941	17,204	25,303	8,240
Roads and Transportation	2,980,248	38,549	2,113,753	0
Governmental Services to Residents	291,914	137,052	77	0
Administration	702,784	7,265	0	0
Nonprogram Current	65,543	0	0	0
Interest on Long-Term Debt	57,622	0	0	0
Capital Projects	174,100	0	0	0
Total Primary Government	\$ 6,819,367	431,329	2,770,752	8,240
Component Unit:				
Public Safety Commission	\$ 1,031,644	979,206	7,375	0

General Revenues:

Property and Other County Tax Levied for:

- General Purposes
- Unified Law
- Tax Increment Financing
- Penalty and Interest on Property Tax
- State Tax Credits
- Grants and Contributions Not Restricted to Specific Purpose
- Unrestricted Investment Earnings
- Rents
- Drainage Assessments
- Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets	
Primary Government Governmental Activities	Component Unit Public Safety Commission
(884,140)	0
(150,265)	0
(254,932)	0
(344,194)	0
(827,946)	0
(154,785)	0
(695,519)	0
(65,543)	0
(57,622)	0
(174,100)	0
<u>(3,609,046)</u>	<u>0</u>
0	(45,063)
2,661,480	0
336,106	0
464,851	0
18,619	0
159,824	0
5,256	0
21,636	0
43,615	0
8,454	0
5,976	0
<u>3,725,817</u>	<u>0</u>
116,771	(45,063)
<u>12,141,682</u>	<u>407,190</u>
<u>\$ 12,258,453</u>	<u>\$ 362,127</u>

**Balance Sheet
Governmental Funds**

June 30, 2012

	Special Revenue							Total
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal District 1 Plan Area Revenue	Urban Renewal District 1 Revenue Surplus	Nonmajor Special Revenue	
Assets								
Cash and Pooled Investments	\$ 1,009,351	199,018	46,585	1,116,368	1,016	1,692	515,746	2,889,776
Receivables:								
Property Tax:								
Delinquent	1,310	128	146	0	0	0	63	1,647
Succeeding Year	1,893,805	184,587	857,663	0	0	0	366,870	3,302,925
Tax Increment Financing:								
Succeeding Year	0	0	0	0	417,226	0	87,277	504,503
Interest and Penalty on Property Tax	5,489	0	0	0	0	0	0	5,489
Accounts	2,759	0	0	5,319	0	0	0	8,078
Accrued Interest	3,851	0	0	0	215	0	21	4,087
Due from County's Governmental Funds	6,387	395	0	355,414	0	0	0	362,196
Due from Agency Funds	182,463	0	0	0	0	0	0	182,463
Due from Other Governments	14,858	0	9,475	145,976	0	0	590	170,899
Inventories	0	0	0	321,358	0	0	0	321,358
Prepaid Expenditures	21,798	0	0	18,112	0	0	1,500	41,410
Total Assets	\$ 3,142,071	384,128	913,869	1,962,547	418,457	1,692	972,067	7,794,831
Liabilities and Fund Balances								
Liabilities:								
Accounts Payable	\$ 22,365	86,684	523	77,285	0	0	3,283	190,140
Salaries and Benefits Payable	4,985	0	222	14,717	0	0	0	19,924
Compensated Absences	0	0	0	7,077	0	0	0	7,077
Due to County's Governmental Funds	395		0	6,387	0	0	355,414	362,196
Due to Component Unit	0	0	0	0	0	0	6,677	6,677
Due to Other Governments	9,189	253,968	0	33	0	0	1,086	264,276
Deferred Revenue:								
Succeeding Year Property Tax	1,893,805	184,587	857,663	0	0	0	366,870	3,302,925
Succeeding Year Tax Increment Financing	0	0	0	0	417,226	0	87,277	504,503
Other	165,979	125	9,621	3,866	0	0	63	179,654
Total Liabilities	2,096,718	525,364	868,029	109,365	417,226	0	820,670	4,837,372

Fund Balances:

Nonspendable:

Inventory	0	0	0	321,358	0	0	0	321,358
Prepaid Expenditures	21,798	0	0	18,112	0	0	1,500	41,410

Restricted for:

Supplemental Levy Purposes	293,963	0	0	0	0	0	0	293,963
Jail Improvements/Courthouse Security	46,740	0	0	0	0	0	0	46,740
Conservation Land Acquisition Purposes	188,418	0	0	0	0	0	0	188,418
Rural Services Purposes	0	0	45,840	0	0	0	0	45,840
Secondary Roads Purposes	0	0	0	1,513,712	0	0	0	1,513,712
Urban Renewal Purposes	0	0	0	0	1,231	1,692	284,500	287,423
Other Purposes	0	0	0	0	0	0	220,811	220,811

Unassigned	494,434	(141,236)	0	0	0	0	(355,414)	(2,216)
Total Fund Balances	1,045,353	(141,236)	45,840	1,853,182	1,231	1,692	151,397	2,957,459

Total Liabilities and Fund Balances	\$ 3,142,071	384,128	913,869	1,962,547	418,457	1,692	972,067	7,794,831
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See notes to financial statements.

Osceola County

**Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets**

June 30, 2012

Total Governmental Fund Balances (pages 22-23) \$ 2,957,459

*Amounts reported for governmental activities in the Statement of
Net Assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$14,903,706 and the accumulated depreciation is \$4,098,049. 10,805,657

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 179,354

Long-term liabilities, including accrued interest payable, certain compensated absences payable, urban renewal revenue capital loan notes, general obligation loans and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,684,017)

Net Assets of Governmental Activities (pages 18-19) \$ 12,258,453

See notes to financial statements.

Osceola County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	Special Revenue								Total
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal District 1 Plan Area Revenue	Urban Renewal District 1 Revenue Surplus	Urban Renewal District 1 Principal and Interest Sinking	Nonmajor Special Revenue	
Revenues:									
Property and Other County Tax	\$ 1,748,862	182,951	729,618	0	0	0	0	336,124	2,997,555
Tax Increment Financing	0	0	0	0	373,597	0	0	91,254	464,851
Interest and Penalty on Property Tax	16,332	0	0	0	0	0	0	0	16,332
Intergovernmental	180,187	560,723	47,948	2,113,753	0	0	0	26,838	2,929,449
Licenses and Permits	370	0	3,875	20,068	0	0	0	0	24,313
Charges for Service	326,711	7,936	600	18	0	0	0	1,718	336,983
Use of Money and Property	59,800	0	0	4,408	3,612	0	0	207	68,027
Miscellaneous	52,210	0	0	14,484	0	0	0	12,298	78,992
Total Revenues	2,384,472	751,610	782,041	2,152,731	377,209	0	0	468,439	6,916,502
Expenditures:									
Operating:									
Public Safety and Legal Services	944,380	0	0	0	0	0	0	356,109	1,300,489
Physical Health and Social Services	202,219	0	17,105	0	0	0	0	0	219,324
Mental Health	0	813,627	0	0	0	0	0	0	813,627
County Environment and Education	263,126	0	96,101	0	0	0	0	5,035	364,262
Roads and Transportation	0	0	0	2,668,495	0	0	0	0	2,668,495
Governmental Services to Residents	274,808	0	1,350	0	0	0	0	2,751	278,909
Administration	678,985	0	0	0	0	0	0	0	678,985
Nonprogram Current	0	0	0	0	0	0	0	65,543	65,543
Debt Service	0	0	46,238	0	0	130,000	248,550	0	424,788
Capital Projects	21,156	0	0	120,120	0	0	0	32,824	174,100
Total Expenditures	2,384,674	813,627	160,794	2,788,615	0	130,000	248,550	462,262	6,988,522

Excess (Deficiency) of Revenues Over (Under) Expenditures	(202)	(62,017)	621,247	(635,884)	377,209	(130,000)	(248,550)	6,177	(72,020)
Other Financing Sources (Uses):									
Operating Transfers In	0	0	0	716,251	0	129,025	248,550	0	1,093,826
Operating Transfers Out	(35,000)	0	(681,251)	0	(377,575)	0	0	0	(1,093,826)
Total Other Financing Sources (Uses)	(35,000)	0	(681,251)	716,251	(377,575)	129,025	248,550	0	0
Net Changes in Fund Balances	(35,202)	(62,017)	(60,004)	80,367	(366)	(975)	0	6,177	(72,020)
Fund Balances Beginning of Year	1,080,555	(79,219)	105,844	1,772,815	1,597	2,667	0	145,220	3,029,479
Fund Balances End of Year	\$ 1,045,353	(141,236)	45,840	1,853,182	1,231	1,692	0	151,397	2,957,459

See notes to financial statements.

Osceola County
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement
of Activities

Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds (pages 26-27) \$ (72,020)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures and do not report capital assets donated for economic development purposes, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets and report the basis of capital assets donated as an expense. Capital outlay expenditures exceeded depreciation expense and capital assets contributed in the current year as follows:

Expenditures for capital assets	\$ 125,410	
Depreciation expense	(479,132)	
Capital asset contributed for economic development purpose	<u>(18,900)</u>	(372,622)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition of capital assets as an increase in financial resources. (8,620)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property tax	32	
Other	<u>19,602</u>	19,634

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. There were no current year debt issuances. Current year repayments were as follows:

Repaid		366,262
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Interest on long-term debt	905	
Compensated absences	9,571	
Judgment payable	185,022	
Other postemployment benefits	<u>(11,361)</u>	<u>184,137</u>

Change in Net Assets of Governmental Activities (pages 20-21) \$ 116,771

See notes to financial statements.

Osceola County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

Assets

Cash and Pooled Investments:	
County Treasurer	\$ 741,268
Other County Officials	1,448
Receivables:	
Property Tax:	
Delinquent	7,494
Succeeding Year	7,440,692
Tax Increment Financing:	
Succeeding Year	37,501
Accounts	183,872
Accrued Interest	2
Special Assessments	1,105
Due from Other Governments	7,853
Prepaid Expenses	13,256
Total Assets	8,434,491

Liabilities

Accounts Payable	4,602
Accrued Payroll & Payroll Taxes	322
Due to Primary Government	182,463
Due to Component Unit	1,028
Due to Other Governments	8,202,477
Trusts Payable	36,671
Compensated Absences	6,928
Total Liabilities	8,434,491
Net Assets	\$ 0

See notes to financial statements.

Osceola County

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Osceola County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. Appointed/hired officials that assist the Board of Supervisors include the Conservation Director and Engineer. Osceola County contracts with Lyon County for the Central Point Coordinator position. The County provides numerous services to citizens, including law enforcement (in conjunction with the Public Safety Commission), health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Osceola County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County.

These financial statements present Osceola County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Fifty-one drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate

from the County, they are controlled, managed and supervised by the Osceola County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Osceola County Auditor's office.

Discretely Presented Component Unit – The Public Safety Commission is presented in a separate column to emphasize that it is legally separate from the County, but is financially accountable to the County, or whose relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The Public Safety Commission, a Chapter 28E Organization formed by Osceola County and each of the cities in Osceola County, is governed by representatives appointed by each of the members and is the sole provider of public (governmental) law enforcement for all of Osceola County. Osceola County approves the Public Safety Commission's tax rates and levies a unified law tax on behalf of the Commission. Osceola County collected and expended \$353,818 (\$356,066 on a cash basis) to the Public Safety Commission for the unified law levy for the fiscal year. Osceola County's expenditure for its contribution for contract law enforcement to the Public Safety Commission was \$204,622 for the fiscal year. In addition, the County provided the Public Safety Commission with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on Public Safety Commission funds). The financial statements for the Public Safety Commission, which are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board, are presented in this audit report as a discretely presented component unit and more detailed financial information is reported as other supplementary information in the schedules.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Osceola County Assessor's Conference Board, Osceola County Emergency Management Commission, Osceola County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County for the Osceola County Assessor, Osceola County Emergency Management Commission and Osceola County Joint E911 and not reported for the Northwest Iowa Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. During the year ended June 30, 2012, the County did not contribute any money to the County Assessor, E911, the Hazardous Material Response Commission, the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority; while the County expended \$30,000 in support for the Emergency Management Services and paid \$83 to the Northwest Iowa Solid Waste Agency for tire disposal. In addition, the County provided the County Assessor, Emergency Management and E911 with bookkeeping and payroll services (which, in exchange for providing these services, the County

gets to keep all investment income earned on County Assessor and Emergency Management funds).

Joint Venture – The County is a participant with the cities in Osceola County in a joint venture to manage the Osceola County Economic Development Commission, a Chapter 28E Organization. The Commission is governed by a six-member board composed of one representative from each governmental entity. The purpose of the Commission is to develop new economic opportunities in Osceola County. The County has an ongoing financial responsibility to provide funding to the Commission for the Commission's continued existence. During the year ended June 30, 2012, the amount of money expended by the County for the Commission amounted to \$52,669 in support. Please see Note (7) to the Financial Statements for information on a general obligation loan that the County owes to the Osceola County Economic Development Commission. Financial information on the Commission is not included with the County's financial statements. Financial statements for the Commission may be obtained from the Commission's office in the Osceola County Courthouse in Sibley, Iowa.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Urban Renewal District 1 Plan Area Revenue Fund is used to account for the collection of tax increment financing. The tax increment financing proceeds are being collected for the County's urban renewal revenue capital loan notes debt service requirements.

Urban Renewal District 1 Revenue Surplus: The Urban Renewal District 1 Revenue Surplus Fund is used to account for Urban Renewal District 1 Plan revenues in excess of the scheduled principal and interest payments on the revenue capital loan notes and the Reserve Fund requirement of \$284,500. Money in this fund is to be used for early redemption of the urban renewal revenue capital loan notes in \$5,000 increments on June 1st of each year.

The Urban Renewal District 1 Principal and Interest Sinking Fund is used to account for payments of principal and interest on the County's urban renewal revenue capital loan notes.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

Separate financial statements for the discretely present component unit – Public Safety Commission are included as part of the other supplementary information in the schedules.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The separate financial statements for the discretely present component unit – Public Safety Commission in the schedules are also reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County and Public Safety Commission consider revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County and the Public Safety Commission.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, any claims and judgments and compensated absences (for employees who haven't terminated employment) are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds (this also applies to the Public Safety Commission). Proceeds of general long-term debt and any acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County and Public Safety Commission fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is both the County's and Public Safety Commission's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances. The Public Safety Commission also follows this policy.

The County, as well as the Public Safety Commission, maintains its financial records on the cash basis. The financial statements of the County, including the Public Safety Commission, are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County and Public Safety Commission funds are pooled and invested. Interest earned on investments, including Public Safety Commission interest earnings per an agreement between the County and the Commission, is recorded in the General Fund, unless otherwise provided by law or agreement. Investments in the Iowa Public Agency Investment Trust are valued at amortized cost and non-negotiable certificates of deposit are stated at cost.

Property Tax and Tax Increment Financing Receivables – Property tax and tax increment financing in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenues are deferred in both the government-wide and fund financial statements and will not be recognized as revenues until the year for which each is levied.

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; are based on January 1, 2010 assessed property valuations; are for the tax accrual period July 1, 2011 through June 30, 2012 and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Accounts Receivable – Accounts receivable represents money owed to the County and/or Public Safety Commission, mainly for services provided by the County and/or the Public Safety Commission, which was not paid as of June 30, 2012. The accounts receivable in the County Offices Funds (Agency Funds) total includes \$133,159 in jail fees receivables and \$43,924 in ambulance charges receivables. These jail fees and ambulance charges receivables are owed by the County Offices Fund to the County's General Fund. It is possible that a large portion of the \$133,159 in jail fees and up to \$18,704 ambulance charges receivables may not be collected within one year.

Due from Primary Government, Due from County's Agency Funds, Due from County's Governmental Funds, Due to Component Unit, Due to County's Governmental Funds and Due to Primary Government – During the course of its normal operations, the County has numerous transactions between the County's governmental funds, agency funds and the Public Safety Commission. To the extent that certain transactions between the County's governmental funds, agency funds and the Public Safety Commission had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Secondary Roads Fund consist mainly of expendable supplies held for consumption and some supplies available for resale. Inventories of the Secondary Roads Fund are recorded as expenses/expenditures when consumed or sold rather than when purchased.

Prepaid Expenses/Expenditures – Prepaid expenses/expenditures represent insurance coverages and other expenses/expenditures which will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles (when any) and infrastructure assets (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the County), are reported in the governmental activities and component unit – Public Safety Commission columns in the government-wide Statement of Net Assets. Only costs related to infrastructure assets that are finished on or after July 1, 2004 are reported. Infrastructure assets finished on or before June 30, 2003 are not reported. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County and Public Safety Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	25,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

Capital assets of the County and the Public Safety Commission are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Intangibles	3 – 40
Machinery and Equipment	3 – 20
Vehicles	5 – 15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved or other specific requirements are attained.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund and the Public Safety Commission financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of rent received in advance for months after the end of the fiscal year and property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivables that will not be recognized as revenue until the year for which they are levied and rent received in advance for months after the end of the fiscal year.

Compensated Absences – County and Public Safety Commission employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for

subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements and the separate financial statements for the discretely presented component unit – Public Safety Commission in the schedules only for employees that have resigned, retired or employment has terminated for any other reason. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities of the County will be paid primarily by the General and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and any other long-term obligations are reported as liabilities in the applicable governmental activities and discretely presented component unit – Public Safety Commission Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources (when applicable). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (when applicable).

Fund Equity – In the County’s governmental funds and Public Safety Commission financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors/Public Safety Commission Board through passage of an ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors/Public Safety Commission Board removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors/Public Safety Commission Board intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements did not exceed the amount budgeted for any function; however, a department's appropriation amount was not properly approved as being increased before actual disbursements exceeded the amount appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$593,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The Public Safety Commission's deposits and investments are commingled with County funds held by the County Treasurer and satisfy all the same requirements as the County's deposits and investments.

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

(3) Due from Primary Government, Due from County's Agency Funds, Due from County's Governmental Funds, Due to Component Unit, Due to County's Governmental Funds and Due to Primary Government

The details of the receivables and payables between the County's governmental funds (primary government) and the discretely presented component unit – Public Safety Commission as of June 30, 2012 are as follows:

Receivable Fund	Payable Fund	Amount
Component Unit:		
Public Safety Commission	Unified Law Levy: Special Revenue	\$ 6,677

This balance results from the time lag between the time the unified law levy proceeds are received, the transactions are recorded in the accounting system and the resulting payments are made to the Public Safety Commission.

The detail of receivables and payables between the County's different governmental funds, between agency funds and the County's governmental funds and between agency funds and the Public Safety Commission for transactions at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Secondary Roads	\$ 6,387
	Agency: County Offices (Recorder, Sheriff, Amb.)	177,336
	Auto License and Use Tax	5,092
	Other (Flex Spending)	35
Special Revenue: Mental Health	General (Cons. Land Acquisition)	395
Special Revenue: Secondary Roads	Special Revenue: County Tax Increment Financing	355,414
Component Unit: Public Safety Commission	Agency: County Offices (Sheriff)	1,028
	Total	<u>\$545,687</u>

These balances result from the time lag between the dates interfund goods and services are provided, reimbursable expenditures occur and/or money is collected in an agency fund; the transactions/collections are recorded in the accounting system; and the resulting payments are made to the County's appropriate governmental fund or the Public Safety Commission.

The balance owed to the Secondary Roads Fund by the County Tax Increment Financing Fund is the result of an interfund loan to help finance a development project by constructing a road in a county designated urban renewal area. Repayments will be made on this interfund loan as tax increment financing proceeds are received.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 35,000
	Special Revenue: Rural Services	681,251

Urban Renewal District 1	Urban Renewal District 1	
Principal and Interest Sinking	Plan Area Revenue	248,550
Urban Renewal District 1	Urban Renewal District 1	
Revenue Surplus	Plan Area Revenue	129,025
Total		<u>\$ 1,093,826</u>

Transfers generally move resources from the fund statutorily, or per the urban renewal revenue capital loan notes, required to collect the resources to the fund statutorily, or per the urban renewal revenue capital loan notes, required to expend the resources, to maintain a required reserve balance for the debt service of the notes or to establish a surplus for the early retirement of the notes.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
County Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,515,256	0	(18,900)	1,496,356
Total Capital Assets Not Being Depreciated	<u>1,515,256</u>	<u>0</u>	<u>(18,900)</u>	<u>1,496,356</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	* 919,378	0	0	919,378
Machinery, Equipment and Vehicles	* 5,231,905	41,402	(108,010)	5,165,297
Infrastructure	7,238,667	84,008	0	7,322,675
Total Capital Assets Being Depreciated	<u>13,389,950</u>	<u>125,410</u>	<u>(108,010)</u>	<u>13,407,350</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	* 428,903	21,687	0	450,590
Machinery, Equipment and Vehicles	* 2,513,463	217,511	(99,390)	2,631,584
Infrastructure	775,941	239,934	0	1,015,875
Total Accumulated Depreciation	<u>3,718,307</u>	<u>479,132</u>	<u>(99,390)</u>	<u>4,098,049</u>
Total Capital Assets Being Depreciated, Net	<u>9,671,643</u>	<u>(353,722)</u>	<u>(8,620)</u>	<u>9,309,301</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,186,899</u>	<u>(353,722)</u>	<u>(27,520)</u>	<u>10,805,657</u>

* Please note that the "Balance Beginning of the Year" was reclassified as follows:

	Balance Beginning of Year (Previously Reported)	Amount Reclassified	Balance Beginning of Year (Restated Total)
Capital Assets Being Depreciated:			
Buildings and Improvements	954,378	(35,000)	919,378
Machinery, Equipment and Vehicles	5,196,905	35,000	5,231,905

Less Accumulated Depreciation For:

Buildings and Improvements	457,965	(29,062)	428,903
Machinery, Equipment and Vehicles	2,484,401	29,062	2,513,463

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$ 15,482
County Environment and Education	25,299
Roads and Transportation	413,152
Governmental Services to Residents	12,538
Administration	12,661

Total Depreciation Expense – Governmental Activities	<u>\$ 479,132</u>
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	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Discretely Presented Component Unit – Public Safety Commission:				
Capital Assets Depreciated:				
Machinery, Equipment and Vehicles	\$ 454,176	0	0	454,176
Less Accumulated Depreciation For:				
Machinery, Equipment and Vehicles	257,718	28,024	0	285,742
Public Safety Commission Capital Assets, Net	<u>\$ 196,458</u>	<u>(28,024)</u>	<u>0</u>	<u>168,434</u>

The County and the Public Safety Commission do not have any “intangible” capital assets as of June 30, 2012.

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax and other County tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services/Utilities	<u>\$ 9,189</u>
Special Revenue:		
Mental Health	Services	253,968
Secondary Roads	Utilities	33
Drainage Districts	Services	1,086
		<u>255,087</u>
Total for Governmental Funds		<u>\$ 264,276</u>

Agency:		
County Offices (Recorder)	Collections	\$ 100
Agricultural Extension Education		117,403
County Assessor		234,919
County Assessor – Special Appraisers		70,755
Schools		5,501,892
Community Colleges		260,982
Corporations		1,439,263
Townships		124,726
Auto License and Use Tax		129,425
E911 Surcharge		251,771
Emergency Management		69,189
All Other		2,052
Total for Agency Funds		<u>\$ 8,202,477</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

County	Compensated Absences	Urban Renewal Revenue Capital Loan Notes	OCEDC General Obligation Loan	Osceola Electric Coop. General Obligation Loan
Balance Beginning of Year	\$ 76,910	1,575,000	112,237	258,300
Increases	76,236	0	0	0
Decreases	(85,807)	(325,000)	(4,362)	(36,900)
Balance End of Year	<u>\$ 67,339</u>	<u>1,250,000</u>	<u>107,875</u>	<u>221,400</u>
Due Within One Year	<u>\$ 67,339</u>	<u>195,000</u>	<u>4,576</u>	<u>36,900</u>

County (Continued)	Judgment Payable	Net OPEB Liability	Total
Balance Beginning of Year	\$ 185,022	22,558	2,230,027
Increases	0	11,361	87,597
Decreases	(185,022)	(0)	(637,091)
Balance End of Year	<u>\$ 0</u>	<u>33,919</u>	<u>1,680,533</u>
Due Within One Year	<u>\$ 0</u>	<u>0</u>	<u>303,815</u>

Component Unit-Public Safety Commission	Compensated Absences	Net OPEB Liability	Total
Balance Beginning of Year	\$ 62,910	13,586	76,496
Additions	34,450	6,714	41,164
Reductions	(33,231)	(0)	(33,231)
Balance End of Year	<u>\$ 64,129</u>	<u>20,300</u>	<u>84,429</u>
Due Within One Year	<u>\$ 64,129</u>	<u>0</u>	<u>64,129</u>

Urban Renewal Revenue Capital Loan Notes

The annual debt service requirements to maturity for the urban renewal revenue capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.40%	195,000	42,500	237,500
2014	3.40%	195,000	35,870	230,870
2015	3.40%	195,000	29,240	224,240
2016	*3.40%	200,000	22,610	222,610
2017	*3.40%	200,000	15,810	215,810
2018 – 2019	*3.40%	265,000	11,220	276,220
Total		\$ 1,250,000	157,250	1,407,250

During the year ended June 30, 2012, the County retired \$325,000 in urban renewal revenue capital loan notes and paid interest of \$53,550 on these notes. The \$378,550 in debt service requirement for these notes was recorded as an expenditure in the debt service function. These urban renewal revenue capital loan notes are being redeemed through the Urban Renewal District 1 Principal and Interest Sinking Fund (\$248,550) and the Urban Renewal District 1 Revenue Surplus Fund (\$130,000).

The interest rate on the urban renewal revenue capital loan notes was adjusted on July 7, 2009 from 4.25% to 3.40%.

Note *: The interest rate for maturities starting in year ending June 30, 2015 shall be adjusted to 90 basis points above the rate published in the Wall Street Journal on Tuesday, July 1, 2014 for the annualized interest rate (weekly – average basis as reported by the Federal Reserve Board for the week previously ended) on the 5 – year Treasury Note.

The urban renewal revenue capital loan notes were issued for the purpose of paying the costs of aiding in the planning, undertaking and carrying out of an urban renewal project, including road improvements, traffic and rail control devices and a grant to Otter Creek Ethanol, LLC, in the Osceola County Urban Renewal District 1 Plan Area. The notes are payable solely from the income and proceeds of the Special Revenue, Urban Renewal District 1 Plan Area Revenue Fund and the taxes paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. During the fiscal year ended, the remaining balance of the unspent proceeds of the urban renewal revenue capital loan notes was transferred to the Urban Renewal District 1 Plan Area Revenue Fund to be used toward the debt service requirements of the urban renewal revenue capital loan notes. The notes are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

The terms providing for the issuance of the revenue notes include the following provisions:

The entire income and revenues of this Urban Renewal Plan Area shall be deposited as collected in the Urban Renewal District 1 Plan Area Revenue Fund and shall be disbursed only as follows in the order in which the following funds are listed.

- (a) Principal and Interest Sinking Fund. The amount to be deposited in the Sinking Fund in any year shall be an amount equal to the interest and principal coming due on the notes during the fiscal year. Money in the Sinking Fund shall be used solely for the purpose of paying principal and interest on the notes as the notes become due and payable.
- (b) Reserve Fund. Money in the Revenue Fund shall next be disbursed to maintain a debt service reserve in an amount equal to the "Reserve Fund Requirement".

"Reserve Fund Requirement" shall mean an amount equal to the lesser of (a) the maximum annual amount of the principal and interest coming due on the notes and parity obligations; or (b) 10 percent of the stated principal amount of the notes and the parity obligations. There shall be deposited in the Reserve Fund an amount equal to 25 percent of the amount required to be deposited in the Sinking Fund; provided, however, that when the amount on deposit in the Reserve Fund shall be not less than the "Reserve Fund Requirement", no further deposits shall be made into the Reserve Fund except to maintain such level, and when the amount on deposit in the Reserve Fund is greater than the balance required above, such additional amounts shall be withdrawn and paid into the Revenue Fund. Money in the Reserve Fund shall be used solely for the purpose of paying principal at maturity of or interest on the notes and parity obligations for the payment of which insufficient money shall be available in the Sinking Fund. Whenever it shall become necessary to so use money in the Reserve Fund, the payments required above shall be continued or resumed until it shall have been restored to the required minimum amount.

The "Reserve Fund Requirement" amount of \$284,500 was maintained during the entire fiscal year ended June 30, 2012.

- (c) Surplus Revenue. All money thereafter remaining in the Revenue Fund at the close of each month shall be deposited in the Surplus Revenue Fund and shall be used to pay or redeem an equal portion of the notes on June 1st of each year if the balance in this fund is \$5,000 or more.

Osceola County Economic Development Commission (OCEDC) General Obligation Loan

On February 28, 2008, the County entered into a loan agreement with the Osceola County Economic Develop Commission (OCEDC) for \$140,000. This loan was used to purchase real estate known as the "Highpoint of Iowa" or "Hawkeye Point". This note payable carries a 4.5% interest rate. Payments are scheduled to be made on this note payable quarterly based on a 25 year payback schedule with a balloon payment due after 10 years. A summary of the County's June 30, 2012, OCEDC note payable indebtedness is a follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.50%	4,576	4,762	9,338
2014	4.50%	4,787	4,551	9,338

2015	4.50%	5,007	4,331	9,338
2016	4.50%	5,225	4,113	9,338
2017	4.50%	5,477	3,861	9,338
2018	4.50%	82,803	2,432	85,235
Total		\$ 107,875	24,050	131,925

During the year ended June 30, 2012, the County paid off principal of \$4,362 and interest of \$4,976 on this note. Beginning with the fiscal year ended June 30, 2011; this loan is being repaid through the Rural Services Fund in the debt service function. All payments prior to the fiscal year ended June 30, 2011 for this debt had been paid from the General Fund.

If default is made in the payment of this note, or if the OCEDC believes itself insecure, the entire principal and accrued interest may be declared due and payable by the OCEDC.

The interest rate during the default period is 10%. This note is secured by a real estate mortgage on the "Hawkeye Point" property. The "Hawkeye Point" property is recorded as a capital asset on the County's financial statements with a June 30, 2012 book value (capitalized cost of \$124,740 less accumulated depreciation of \$11,196) of \$113,544.

Osceola Electric Cooperative, Inc. General Obligation Loan

On September 14, 2007, the County entered into a loan agreement with the Osceola Electric Cooperative, Inc. for \$369,000 at a 0% interest rate through the Cooperative's revolving loan fund (Rural Economic Development Loan and Grant Program). The loan is payable in ten annual payments of \$36,900. The \$369,000 in loan proceeds was actually received in December 2008. The proceeds of the loan were used to purchase 41 acres of land near Highways 9 and 60 for economic development. Additionally, in September 2007, as a matching requirement for this 0% interest loan, the County made a \$69,000 contribution to the Osceola Electric Cooperative, Inc. out of the General Basic Fund. A summary of the County's June 30, 2012, Osceola Electric Cooperative, Inc. note payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal
2013	0%	36,900
2014	0%	36,900
2015	0%	36,900
2016	0%	36,900
2017	0%	36,900
2018	0%	36,900
Total		\$ 221,400

During the year ended June 30, 2012, the County paid off principal of \$36,900 on this note (there is no interest). Beginning with the fiscal year ended June 30, 2011; this loan is being repaid through the Rural Services Fund in the debt service function. All payments prior to the fiscal year ended June 30, 2011 for this debt had been paid from the General Fund.

If any payment is made more than ten days after the due date, a late charge will be computed. If default is made in the payment of this note, the entire principal and a calculated accrued interest amount may be declared due and payable by the Cooperative.

Judgment Payable

In January 2011, a County Official was named as defendant in a wrongful termination lawsuit by a former employee. In February 2012, the County entered into a settlement agreement which required the County to pay for back wages, IPERS reimbursement, and attorney fees at a cost of \$270,000, plus additional payroll taxes of \$10,022. The County was covered by insurance for \$95,000 of the claim. The net cost of \$185,022 was recognized as a long-term liability and an expense in the County's government-wide financial statements for fiscal year ending June 30, 2011. This claim was satisfied by the County in fiscal year ending June 30, 2012, and reported in the fund financial statements as an expenditure through the General Fund.

(8) Pension and Retirement Benefits

The County and Public Safety Commission contribute to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County/Commission contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$154,625, \$121,658 and \$119,188 respectively, equal to the required contributions for each year. The Public Safety Commission's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$61,321 \$55,151 and \$45,454, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description. The County, including the Public Safety Commission, operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 53 (37 County and 16 Public Safety Commission) active and 2 retired members participating in the County's plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County and the Public Safety Commission. The County and the Public Safety Commission currently finance the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County and the Public Safety Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County and the Public Safety Commission, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County and the Public Safety Commission's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County and Public Safety Commission's net OPEB obligation:

	County's Governmental Activities	Public Safety Commission
Annual required contribution	\$ 21,096	6,816
Interest on net OPEB obligation	902	535
Adjustment to annual required contribution	(841)	(637)
Annual OPEB cost	21,157	6,714
Contributions made	(9,796)	0
Increase in net OPEB obligation	11,361	6,714
Net OPEB obligation beginning of year	22,558	13,586
Net OPEB obligation end of year	<u>\$ 33,919</u>	<u>20,300</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$9,796 and the Public Safety Commission contributed \$0 to the medical plan. Plan members eligible for benefits did not make any contributions.

The County's governmental activities annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 21,096	46.4%	\$ 11,300
2011	21,054	46.5%	22,558
2012	21,157	46.5%	33,919

The Public Safety Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 6,816	0.0%	\$ 6,816
2011	6,770	0.0%	13,586
2012	6,714	0.0%	20,300

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012, the actuarial accrued liability of the County was \$168,978, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$168,978. The County's covered payroll (annual payroll of active employees covered by the plan) was \$1,574,276 and the ratio of the UAAL to covered payroll was 10.7%. The actuarial accrued liability of the Public Safety Commission was \$44,511, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$44,511. The Public Safety Commission's covered payroll (annual payroll of active employees covered by the plan) was \$593,219 and the ratio of the UAAL to covered payroll was 7.5%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County and Public Safety Commission's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table. Projected to 2012 using Scale AA, annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007. Termination rates were set based on the historical experience of the County.

Projected claim costs of the medical plan are \$9,820 annually for retirees. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

Osceola County and the Public Safety Commission are exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County and Public Safety Commission assume liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years except for the \$185,022 paid to a former employee in a wrongful termination lawsuit settlement as explained in Note (7) to the Financial Statements.

(11) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2012 except for \$83 for disposal of tires.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a "Local Government Guarantee" in order to provide a financial assurance mechanism instrument for the Agency. The closure and post closure costs to the Agency have been estimated at \$2,318,800 as of June 30, 2012 and the portion of the liability that has been recognized by the Agency as of June 30, 2012 is \$1,355,606. The estimated remaining life of the landfill is 27 years and the capacity used at June 30, 2012 is approximately 58 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2012, assets of \$1,514,198 are restricted for these purposes and the Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 111 of the Iowa Administrative Code. No estimate has been made as to any possible future assessments to the County.

(12) Deficit Fund Balances

The Special Revenue, Mental Health Fund, had a deficit modified accrual fund balance of \$141,236 at June 30, 2012. Demand and the related costs for Mental Health related services has continued to exceed the available revenue. The County is diligently continuing evaluation of what options are available to address the financial stress of the Mental Health Fund.

The Special Revenue, County Tax Increment Financing Fund, had a deficit modified accrual fund balance of \$355,414. This deficit balance is the result of road construction project

costs in a County urban renewal area in excess of available funds. This deficit will be eliminated over a period of years upon collection of tax increment financing revenues.

(13) Commitments

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. In fiscal year ending June 30, 2013, the annual base charge will be revised to adjust for program costs and the annual base charge will be based on the estimated U.S. Census Bureau data from 2010. In fiscal year ending June 30, 2014 to June 30, 2016, the annual base charge will be revised to adjust to the actual U.S. Census Bureau population figures from 2010. In fiscal year ending June 30, 2017, the annual base charge will be adjusted to reflect the estimated U.S. Census Bureau population data for 2015. Assuming no revisions to the agreement for program costs or population base, the annual base charges for fiscal years ending June 30, 2013-17 would be \$5,493 per year for a total of \$27,465. The payments for these charges are scheduled to be paid through the County's General Fund or the Osceola County Emergency Management Services. The County's General Fund paid \$5,493 during the fiscal year ended June 30, 2012.

In March 2012, the Conservation Board approved the purchase of a Ford F150 pickup for \$29,323, less trade-in of \$18,250, for a net price of \$11,073 (see Note (15) - Subsequent Events).

In May 2012, the Conservation Board approved to proceed with negotiations for the purchase of property to be used for conservation purposes (see Note (15) - Subsequent Events).

(14) Contingencies

In January 2011, an Osceola County land owner filed a petition for a Writ of Mandamus against the Board of Supervisors due to water drainage issues on his and her property caused by a neighbor changing the contour of a nearby field. The plaintiff alleges that it is the County's responsibility to take action against the neighbor and make them fix the drainage issue. In June 2013, the judge granted a motion for summary judgment, which the land owner has challenged. It is the County's position that the County has no involvement or responsibility in this case. The plaintiff is not seeking any monetary damages from the County but is seeking to have the court order the Board of Supervisors to take action to fix the drainage issue. Due to the nature of this complaint, no amount has been reflected in the County's financial statements for any possible legal costs/drainage repair costs.

In May 2011, several County officials had been named in an action filed that alleges false arrest, malicious prosecution and intentional infliction of emotional distress. The County and the County's officials deny any liability in this dispute. The County does carry insurance coverage for this type of risk and this issue has been passed on to the insurance carrier's legal counsel. No amount for any possible liability is reflected in the County's financial statements.

(15) Subsequent Events

Events that have occurred subsequent to June 30, 2012, through the date of the audit report (June 28, 2013), include the following:

In July 2012, the General Fund (conservation department) paid for a 2012 Ford F-150, net of trade in, for \$11,073 (See Note (13) – Commitments).

In August 2012, the Secondary Roads Fund paid \$229,440 for county road micro-surfacing.

In August 2012, the County approved to transfer lots in the Enterprise Park to a business in exchange for the business to make agreed upon economic development improvements to the lots. The total value of the land transferred was \$38,340 - 4.26 acres @ \$9,000/acre (the County's cost basis of the land).

In September 2012, the Public Safety Commission purchased a 2013 Ford Taurus for \$25,082.

In September 2012, the Secondary Roads Fund paid \$111,798 for a 2013 Western Star truck.

In September 2012, the E911 Board approved the purchase of a NG-911 system for \$152,354. The system installation is expected to be finalized in July 2013. Payments that have been made through June 28, 2013 by the E911 Surcharge Fund were \$122,183, with the final payment of \$30,171 due after completion.

In February 2013, the County approved the establishment of a new Urban Renewal Area #5 and an Urban Renewal Revenue #5 TIF Fund.

In March 2013, the County approved an internal fund advance of \$90,000 from the General Supplemental Fund to the Urban Renewal Revenue #5 TIF Fund for costs incurred for a development project within the urban renewal area. The advance is payable, at 0% interest, in 10 annual installments starting June 1, 2015.

On April 30, 2013, the State of Iowa appeal board ruled that the Public Safety Commission must start utilizing one of the methods allowed by the Code of Iowa when setting its fiscal year 2014/2015 budget. Iowa Code section 28E.23 sets out how public safety funding can be computed. Entities can use a per capita cost for each city and the unincorporated area or a percentage of service received by the unincorporated area and the cities. Iowa Code section 28E.22 states that the Unified Law Enforcement levy has a rate limit of \$1.50/\$1,000 of valuation. The code also specified a three-year rolling average must be used to determine how much money an entity can use from its General Fund.

In May 2013, the County purchased a sign truck through the Secondary Roads Fund for \$95,468.

In May 2013, the County paid \$35,900 from the General Fund (Conservation Land Acquisition Trust Reserves) for the purchase of property for conservation purposes (see Note (13) - Commitments).

In June 2013, the County approved to enter into a general obligation county road improvement loan agreement and issue general obligation bonds not to exceed \$1,800,000

for road improvements. It is intended that these bonds are to be repaid from tax increment financing proceeds.

In June 2013, the County approved to enter into a general obligation urban renewal loan agreement and issue general obligation bonds not to exceed \$275,000 for an urban renewal project. It is intended that these bonds are to be repaid from tax increment financing proceeds.

(16) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Osceola County
Required Supplementary Information

Osceola County

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances— Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year Ended June 30, 2012

	All County Governmental Funds Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and Other County Tax	3,478,692	0	3,478,692	3,497,443	3,497,443	(18,751)
Interest and Penalty on Property Tax	26,493	0	26,493	0	0	26,493
Intergovernmental	2,944,549	0	2,944,549	2,685,276	2,814,925	129,624
Licenses and Permits	24,933	0	24,933	12,100	12,100	12,833
Charges for Service	339,418	0	339,418	292,875	292,875	46,543
Use of Money and Property	68,400	169	68,231	125,468	125,468	(57,237)
Miscellaneous	69,271	8,454	60,817	49,540	52,464	8,353
Total Receipts	6,951,756	8,623	6,943,133	6,662,702	6,795,275	147,858
Disbursements						
Public Safety and Legal Services	1,315,597	0	1,315,597	1,103,670	1,401,252	85,655
Physical Health and Social Services	227,007	0	227,007	234,286	303,175	76,168
Mental Health	614,041	0	614,041	693,158	747,240	133,199
County Environment and Education	381,305	0	381,305	431,041	464,541	83,236
Roads and Transportation	2,721,701	0	2,721,701	2,675,000	2,725,000	3,299
Governmental Services to Residents	276,959	0	276,959	281,905	290,906	13,947
Administration	679,497	0	679,497	689,710	704,110	24,613
Nonprogram Current	65,543	0	65,543	69,781	69,781	4,238
Debt Service	424,788	0	424,788	439,719	439,719	14,931
Capital Projects	148,662	20,476	128,186	280,000	236,000	107,814
Total Disbursements	6,855,100	20,476	6,834,624	6,898,270	7,381,724	547,100
Excess (Deficiency) of Receipts Over (Under) Disbursements	96,656	(11,853)	108,509	(235,568)	(586,449)	694,958
Balances Beginning of Year	2,793,120	109,449	2,683,671	2,542,369	2,542,369	141,302
Balances End of Year	\$ 2,889,776	97,596	2,792,180	2,306,801	1,955,920	836,260

See accompanying independent auditor's report.

Osceola County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,951,756	(35,254)	6,916,502
Expenditures	6,855,100	133,422	6,988,522
Net	96,656	(168,676)	(72,020)
Beginning Fund Balances	2,793,120	236,359	3,029,479
Ending Fund Balances	\$ 2,889,776	67,683	2,957,459

See accompanying independent auditor's report.

Osceola County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units (drainage districts) and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund (when applicable) and the Capital Projects Funds (when applicable). Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by a total of \$483,454. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board, for Emergency Management Services by the County Emergency Management Commission and for the Public Safety Commission by the Public Safety Commission Board. Please see Schedule 9 for information on the Public Safety Commission budget. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2012, disbursements did not exceed the amount budgeted for any function; however, a department's appropriation amount was not properly approved as being increased before actual disbursements exceeded the amount appropriated.

Osceola County

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Osceola County's Governmental Activities:

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	168,978	168,978	0.00%	1,333,157	12.7%
2011	July 1, 2009	\$0	168,978	168,978	0.00%	1,639,871	10.3%
2012	July 1, 2009	\$0	168,978	168,978	0.00%	1,574,276	10.7%

Component Unit – Public Safety Commission:

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	44,511	44,511	0.00%	610,658	7.3%
2011	July 1, 2009	\$0	44,511	44,511	0.00%	527,119	8.4%
2012	July 1, 2009	\$0	44,511	44,511	0.00%	593,219	7.5%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Osceola County
Supplementary Information

Osceola County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2012

	County Recorder's Records Management	Unified Law Levy	Sheriff's Asset Forfeiture	County Attorney Incentive
Assets				
Cash and Pooled Investments	\$ 21,705	6,677	6,243	5,026
Receivables:				
Property Tax:				
Delinquent	0	63	0	0
Succeeding Year	0	366,870	0	0
Tax Increment Financing:				
Succeeding Year	0	0	0	0
Accrued Interest	6	0	0	0
Due from Other Governments	0	0	0	590
Prepaid Expenditures	1,500	0	0	0
Total Assets	\$ 23,211	373,610	6,243	5,616
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 751	0	0	0
Due to County's Governmental Funds	0	0	0	0
Due to Component Unit	0	6,677	0	0
Due to Other Governments	0	0	0	0
Deferred Revenue:				
Succeeding Year Property Tax	0	366,870	0	0
Succeeding Year Tax Increment Financing	0	0	0	0
Other	0	63	0	0
Total Liabilities	751	373,610	0	0
Fund Balances:				
Nonspendable:				
Prepaid Expenditures	1,500	0	0	0
Restricted For:				
Urban Renewal Purposes	0	0	0	0
Other Purposes	20,960	0	6,243	5,616
Unassigned	0	0	0	0
Total Fund Balances	22,460	0	6,243	5,616
Total Liabilities and Fund Balances	\$ 23,211	373,610	6,243	5,616

See accompanying independent auditor's report.

Schedule 1

County Tax Increment Financing	Urban Renewal Revenue Reserve	Drainage Districts	Resource Enhancement and Protection	Total
0	284,500	97,596	93,999	515,746
0	0	0	0	63
0	0	0	0	366,870
87,277	0	0	0	87,277
0	0	14	1	21
0	0	0	0	590
0	0	0	0	1,500
87,277	284,500	97,610	94,000	972,067
0	0	2,532	0	3,283
355,414	0	0	0	355,414
0	0	0	0	6,677
0	0	1,086	0	1,086
0	0	0	0	366,870
87,277	0	0	0	87,277
0	0	0	0	63
442,691	0	3,618	0	820,670
0	0	0	0	1,500
0	284,500	0	0	284,500
0	0	93,992	94,000	220,811
(355,414)	0	0	0	(355,414)
(355,414)	284,500	93,992	94,000	151,397
87,277	284,500	97,610	94,000	972,067

Osceola County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2012

	County Recorder's Records Management	Unified Law Levy	Sheriff's Asset Forfeiture	County Attorney Incentive	County Tax Increment Financing	Urban Renewal District 1 Revenue Reserve	Drainage Districts	Resource Enhancement and Protection	Total
Revenues:									
Property and Other County Tax	\$ 0	336,124	0	0	0	0	0	0	336,124
Tax Increment Financing	0	0	0	0	91,254	0	0	0	91,254
Intergovernmental	0	17,694	0	0	0	0	0	9,144	26,838
Charges for Service	1,718	0	0	0	0	0	0	0	1,718
Use of Money and Property	22	0	0	0	0	0	170	15	207
Miscellaneous	0	0	0	3,844	0	0	8,454	0	12,298
Total Revenues	1,740	353,818	0	3,844	91,254	0	8,624	9,159	468,439
Expenditures:									
Operating:									
Public Safety and Legal Services	0	353,818	0	2,291	0	0	0	0	356,109
County Environment and Education	0	0	0	0	0	0	0	5,035	5,035
Governmental Services to Residents	2,751	0	0	0	0	0	0	0	2,751
Nonprogram Current	0	0	0	0	65,543	0	0	0	65,543
Capital Projects	0	0	0	0	0	0	24,095	8,729	32,824
Total Expenditures	2,751	353,818	0	2,291	65,543	0	24,095	13,764	462,262
Net Change in Fund Balances	(1,011)	0	0	1,553	25,711	0	(15,471)	(4,605)	6,177
Fund Balances Beginning of Year	23,471	0	6,243	4,063	(381,125)	284,500	109,463	98,605	145,220
Fund Balance End of Year	\$ 22,460	0	6,243	5,616	(355,414)	284,500	93,992	94,000	151,397

See accompanying independent auditor's report.

Osceola County

**Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds**

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools	Community Colleges
Assets						
Cash and Pooled Investments:						
County Treasurer	\$ 0	1,970	66,459	70,755	96,602	4,334
Other County Officials	1,363	0	0	0	0	0
Receivables:						
Property Tax:						
Delinquent	0	80	112	0	3,530	180
Succeeding Year	0	115,353	162,326	0	5,401,760	256,468
Tax Increment Financing:						
Succeeding Year	0	0	0	0	0	0
Accounts	177,101	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0
Special Assessments	0	0	0	0	0	0
Due from Other Governments	0	0	60	0	0	0
Prepaid Expenses	0	0	13,238	0	0	0
Total Assets	\$ 178,464	117,403	242,195	70,755	5,501,892	260,982
Liabilities						
Accounts Payable	\$ 0	0	348	0	0	0
Accrued Payroll & Payroll Taxes	0	0	0	0	0	0
Due to Primary Government	177,336	0	0	0	0	0
Due to Component Unit	1,028	0	0	0	0	0
Due to Other Governments	100	117,403	234,919	70,755	5,501,892	260,982
Trusts Payable	0	0	0	0	0	0
Compensated Absences	0	0	6,928	0	0	0
Total Liabilities	\$ 178,464	117,403	242,195	70,755	5,501,892	260,982

See accompanying independent auditor's report.

Schedule 3

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	Emergency Management Services	Future Tax Collections	Other	Total
16,897	2,490	134,517	248,408	62,544	35,504	788	741,268
0	0	0	0	0	0	85	1,448
3,557	34	0	0	0	0	1	7,494
1,381,308	122,202	0	0	0	0	1,275	7,440,692
37,501	0	0	0	0	0	0	37,501
0	0	0	6,771	0	0	0	183,872
0	0	0	2	0	0	0	2
0	0	0	0	0	0	1,105	1,105
0	0	0	770	7,023	0	0	7,853
0	0	0	0	18	0	0	13,256
1,439,263	124,726	134,517	255,951	69,585	35,504	3,254	8,434,491
0	0	0	4,180	74	0	0	4,602
0	0	0	0	322	0	0	322
0	0	5,092	0	0	0	35	182,463
0	0	0	0	0	0	0	1,028
1,439,263	124,726	129,425	251,771	69,189	0	2,052	8,202,477
0	0	0	0	0	35,504	1,167	36,671
0	0	0	0	0	0	0	6,928
1,439,263	124,726	134,517	255,951	69,585	35,504	3,254	8,434,491

Osceola County

**Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds**

Year Ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools	Community Colleges
Assets and Liabilities						
Balances Beginning of Year	\$ 173,942	109,420	158,192	131,229	5,465,347	243,600
Additions:						
Property and Other County Tax (Including TIF)	0	115,531	162,525	40	5,236,893	256,770
State Tax Credits	0	5,768	5,192	2,500	283,116	12,661
Intergovernmental Replacements, Grants and Revenues	7,597	62	180	27	3,040	136
Contribution from Osceola County	0	0	0	0	0	0
Loan from Osceola County	0	0	0	0	0	0
E911 Surcharge	0	0	0	0	0	0
Office Fees and Collections	588,209	0	1,021	0	0	0
Electronic Transaction Fee	0	0	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0	0	0
Assessments	0	0	0	0	0	0
Interest	36	0	0	0	0	0
Trusts	10,428	0	0	0	0	0
Donations	20	0	0	0	0	0
Total Additions	606,290	121,361	168,918	2,567	5,523,049	269,567
Deductions:						
Agency Remittances:						
To Other Funds/Component Unit	288,580	0	0	0	0	0
To Other Governments	302,760	113,378	84,915	63,041	5,486,504	252,185
Trusts Paid Out	10,428	0	0	0	0	0
Total Deductions	601,768	113,378	84,915	63,041	5,486,504	252,185
Balances End of Year	\$ 178,464	117,403	242,195	70,755	5,501,892	260,982

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	E911 Surcharge	Emergency Management Services	Future Tax Collections	Other	Total
125,381	141,756	220,246	47,561	63,403	4,078	8,230,584
119,621	0	0	0	0	1,276	7,310,837
6,609	0	0	0	0	62	393,704
45	0	0	10,729	0	1	23,699
0	0	0	30,000	0	120	30,120
0	0	0	0	0	6,080	6,080
0	0	49,878	0	0	0	49,878
0	0	101	0	0	0	589,331
0	0	0	0	0	1,718	1,718
0	2,023,458	0	0	0	0	2,023,458
0	0	0	0	0	11,828	11,828
0	0	35	0	0	0	71
0	0	0	0	37,357	128,497	176,282
0	0	0	0	0	0	20
126,275	2,023,458	50,014	40,729	37,357	149,582	10,617,026
0	67,883	0	0	0	6,080	362,543
126,930	1,962,814	14,309	18,705	0	14,036	9,844,602
0	0	0	0	65,256	130,290	205,974
126,930	2,030,697	14,309	18,705	65,256	150,406	10,413,119
124,726	134,517	255,951	69,585	35,504	3,254	8,434,491

Osceola County

Balance Sheet
Component Unit – Public Safety Commission

June 30, 2012

Assets	
Cash and Pooled Investments	\$ 260,138
Due from Primary Government	6,677
Due from County's Agency Funds	1,028
Prepaid Expenditures	<u>14,497</u>
Total Assets	<u><u>\$ 282,340</u></u>
 Liabilities and Fund Balance	
Liabilities:	
Accounts Payable	\$ 3,981
Salaries and Benefits Payable	237
Deferred Revenue:	
Other	<u>1,028</u>
Total Liabilities	<u><u>5,246</u></u>
Fund Balance:	
Nonspendable:	
Prepaid Expenditures	14,497
Unassigned	<u>262,597</u>
Total Fund Balance	<u><u>277,094</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 282,340</u></u>

See accompanying independent auditor's report.

Osceola County

**Reconciliation of the Balance Sheet
to the Statement of Net Assets
Component Unit – Public Safety Commission**

June 30, 2012

Total Component Unit Fund Balance (page 71) \$ 277,094

Amounts reported for the component unit in the Statement of Net Assets are different because:

Capital assets used in the component unit are not current financial resources and, therefore, are not reported in the Commission's Balance Sheet. The cost of assets is \$454,176 and the accumulated depreciation is \$285,742. 168,434

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the Commission's Balance Sheet. 1,028

Long-term liabilities, which include compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the Commission's Balance Sheet. (84,429)

Net Assets of Component Unit (pages 18-19) \$ 362,127

See accompanying independent auditor's report.

Osceola County

**Schedule of Revenues, Expenditures and
Change in Fund Balance
Component Unit – Public Safety Commission**

Year Ended June 30, 2012

Revenues:

Intergovernmental	\$ 958,246
Charges for Service	27,018
Miscellaneous	<u>3,358</u>
Total Revenues	<u>988,622</u>

Expenditures:**Operating:**

Uniformed Patrol Services	558,041
Law Enforcement Communications	215,520
Administration	203,377
Tort Liability and Safety of the Workplace	<u>18,749</u>
Total Expenditures	<u>995,687</u>

Net Change in Fund Balance	(7,065)
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Fund Balance Beginning of Year	<u>284,159</u>
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Fund Balance End of Year	<u><u>\$ 277,094</u></u>
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See accompanying independent auditor's report.

Osceola County

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Component Unit – Public Safety Commission**

Year Ended June 30, 2012

Net Change in Fund Balance - Component Unit (page 73) **\$ (7,065)**

*Amounts reported for the component unit in the Statement of
Activities are different because:*

The component unit reports capital outlays as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance while the component unit in the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures were exceeded by depreciation expense in the current year as follows:

Depreciation expense	(28,024)
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Because some revenues will not be collected for several months after the Public Safety Commission's year end, they are not considered available revenues and are deferred in the Statement of Revenues, Expenditures and Change in Fund Balance. The resulting timing difference is as follows:

Other	(2,041)
-------	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Statement of Revenues, Expenditures and Change in Fund Balance as follows:

Compensated absences	\$ (1,219)	
Other postemployment benefits	(6,714)	(7,933)

Change in Net Assets of Component Unit (pages 20-21)	\$ (45,063)
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See accompanying independent auditor's report.

Osceola County
Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances–
Budget and Actual (Cash Basis) & Budget to GAAP Reconciliation
Component Unit – Public Safety Commission

Year Ended June 30, 2012

Budget to Actual Comparison:

	Actual	Adopted Budget	Budget to Actual Variance
Receipts:			
County Contribution	\$ 204,622	204,622	0
City Contribution	392,012	392,458	(446)
Unified Law Levy	356,066	352,986	3,080
Other Receipts	38,171	31,000	7,171
Total Receipts	990,871	981,066	9,805
Disbursements:			
Uniformed Patrol Services	559,351	612,100	52,749
Law Enforcement Communications	215,766	217,700	1,934
Administration	205,383	207,700	2,317
Other	18,749	23,000	4,251
Total Disbursements	999,249	1,060,500	61,251
Deficiency of Receipts Under Disbursements	(8,378)	(79,434)	71,056
Balances Beginning of Year	268,516	269,667	(1,151)
Balances End of Year	\$ 260,138	190,233	69,905

Note: Although the budget document presents disbursements by program, the legal level of control is at the aggregated total of all disbursements, not by program. During the fiscal year, there were no budget amendments.

Reconciliation:

	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 990,871	(2,249)	988,622
Expenditures	999,249	(3,562)	995,687
Net	(8,378)	1,313	(7,065)
Beginning Fund Balances	268,516	15,643	284,159
Ending Fund Balances	\$ 260,138	16,956	277,094

See accompanying independent auditor's report.

Osceola County

Schedule of Revenues by Source and Expenditures by Function –
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Property and Other County Tax	\$2,997,555	2,854,959	2,574,397	2,432,660	2,369,853	2,329,758	2,221,623	2,049,051	2,157,197	2,119,252
Tax Increment Financing	464,851	496,086	389,348	349,325	323,713	320,185	210,292	0	0	0
Interest and Penalty on Property Tax	16,332	24,465	28,587	18,319	15,725	14,166	13,275	8,324	10,054	9,823
Intergovernmental	2,929,449	3,004,066	2,956,720	3,099,186	2,488,781	2,384,880	2,331,151	2,339,771	2,310,475	2,231,754
Licenses and Permits	24,313	16,240	17,775	16,580	20,973	17,210	10,750	9,113	6,023	6,167
Charges for Service	336,983	356,065	361,642	282,757	258,441	271,659	225,263	250,401	226,598	191,636
Use of Money and Property	68,027	81,376	84,106	117,326	197,159	207,348	177,756	123,817	84,301	99,577
Miscellaneous	78,992	113,088	157,960	117,851	89,776	69,472	28,752	31,509	38,024	43,735
Total	\$6,916,502	6,946,345	6,570,535	6,434,004	5,764,421	5,614,678	5,218,862	4,811,986	4,832,672	4,701,944
Expenditures:										
Operating:										
Public Safety and Legal Services	\$1,300,489	1,155,129	1,023,045	993,477	989,801	982,964	930,874	850,645	782,569	780,412
Physical Health and Social Services	219,324	245,644	280,640	261,231	143,070	129,747	126,981	121,043	130,769	136,127
Mental Health	813,627	691,005	745,270	685,581	792,245	678,848	532,029	524,588	481,889	488,561
County Environment and Education	364,262	350,789	428,044	340,781	434,717	300,820	379,376	2,684,018	249,974	250,575
Roads and Transportation	2,668,495	2,740,145	2,320,555	2,436,760	2,335,424	1,900,778	2,250,666	1,644,789	1,913,113	1,823,134
Governmental Services to Residents	278,909	249,553	234,001	280,276	222,734	198,224	307,555	197,544	151,508	136,365
Administration	678,985	689,563	665,562	722,417	706,932	605,044	598,664	557,568	559,522	635,482
Nonprogram Current	65,543	69,564	0	0	0	0	0	0	0	0
Debt Service	424,788	451,365	376,862	356,750	306,913	312,088	210,913	110,836	68,411	0
Capital Projects	174,100	235,583	244,676	481,479	1,115,557	506,008	462,538	251,478	184,549	936,418
Total	\$6,988,522	6,878,340	6,318,655	6,558,752	7,047,393	5,614,521	5,799,596	6,942,509	4,522,304	5,187,074

See accompanying independent auditor's report.

Osceola County

**Schedule of Revenues by Source and Expenditures by Program –
Component Unit – Public Safety Commission**

For the Last Ten Years

Modified Accrual Basis										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Intergovernmental	\$ 958,246	946,441	947,382	930,885	868,725	842,103	875,389	801,430	781,815	776,257
Charges for Service	27,018	27,127	24,110	23,962	22,958	29,534	24,531	19,090	22,173	23,948
Miscellaneous	3,358	8,587	6,506	5,629	9,959	22,729	4,875	1,630	2,849	714
Total	\$ 988,622	982,155	977,998	960,476	901,642	894,366	904,795	822,150	806,837	800,919
Expenditures:										
Operating:										
Uniformed Patrol Services	\$ 558,041	605,821	535,673	519,494	563,796	530,450	501,156	506,787	515,636	505,115
Investigations	0	0	0	0	500	183	2,992	0	0	0
Law Enforcement										
Communications	215,520	207,216	193,264	181,136	179,810	162,298	160,028	190,821	184,783	178,910
Administration	203,377	201,313	192,512	190,665	171,432	163,347	156,285	163,196	137,625	144,945
Data Processing Services	0	2,231	322	400	1,873	798	319	4,731	3,042	0
Tort Liability and Safety of the Workplace	18,749	18,435	13,407	18,351	13,818	11,891	11,855	13,331	12,914	19,060
Total	\$ 995,687	1,035,016	935,178	910,046	931,229	868,967	832,635	878,866	854,000	848,030

See accompanying independent auditor's report.

Osceola County

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

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Independent Auditor's Report on **Internal Control over Financial Reporting and on Compliance and Other Matters** **Based on an Audit of Financial Statements Performed in Accordance with** **Government Auditing Standards**

To the Officials of Osceola County:

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the component unit of Osceola County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 28, 2013. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Osceola County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Osceola County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Osceola County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Osceola County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in Osceola County's internal control described in the accompanying Schedule of Findings as items 12-A, B, D, E, F, I and J to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 12-C, G, H, K and L to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osceola County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Osceola County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Osceola County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Osceola County and other parties to whom Osceola County may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Osceola County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

De Noble & Company PC

De Noble & Company PC
Certified Public Accountants

June 28, 2013

Osceola County
Schedule of Findings

Osceola County
Schedule of Findings
Year Ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- 12-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in several offices may have control over handling assets, financial transactions, record-keeping and reconciling functions, for which no compensating controls exist.

We also noted that checks do not require dual signatures to be issued.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a. All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared by an independent person to the cash receipt records and to the actual deposit that should be made by an independent person.
- b. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.
- c. A person who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments and reconcile documents to the investment records. In addition, reconciliations of delinquencies, abatement of taxes and monthly auto license and use tax reports should be done by independent people.
- d. Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks.
- e. Supplies and capital assets ordered should be received by someone other than the person who initiated the order. The person responsible for making sure that all items ordered are received and the proper amounts are charged should be separate from the purchasing and cash disbursement functions.
- f. Authorization of transactions, handling of source documents and custody of assets should be segregated. Billings for services, the recordkeeping of accounts receivable and the handling of cash receipts should also be segregated. The billing rates should be verified by an independent individual.
- g. Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.
- h. Long-term debt records should be maintained by an individual who does not perform any cash functions. Notes/loans that have been paid should be reconciled to the note/loan records by an independent person.

**Osceola County
Schedule of Findings
Year Ended June 30, 2012**

- i. All checks issued should be analyzed by an independent person to verify that the numerical sequence is accurate and all checks are accounted for. This should apply to both computer generated and handwritten checks.
- j. Payroll records, including comp time, vacation and sick leave earned and accumulated, should be maintained or reviewed by an independent person.
- k. Complete, detailed personnel records should be maintained outside the payroll section. The personnel records should periodically be compared to the actual payroll by an independent individual.

We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons, to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review. These recommendations, as applicable, do apply to the Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

Response – We will encourage each department/entity to utilize existing personnel within the County/each entity to help in achieving additional segregation of duties. We will implement as economically practicable (we will segregate within staff size limitations).

Conclusion – Response acknowledged. However, it is important that you do thoroughly review your procedures and attempt to implement these recommendations.

- 12-B Capital Assets/Inventory – During our audit, we came across capital assets that needed to be added to and deleted from the capital assets subsidiary records. We also came across capital assets where the book value, net of accumulated depreciation, had to be adjusted to reconcile with the prior fiscal year's records. There is no periodic inspection of capital assets/inventory formally being performed by an independent person. Capital assets are not marked for identification purposes. Records of inventory quantities are not maintained on a perpetual basis.

Recommendation – Each County office, the Public Safety Commission, the County Assessor, Emergency Management and E911 should be responsible for assisting the Auditor's Office, on a monthly basis, with accumulating the necessary information in order to keep the capital assets records current. On a yearly basis, an authorized independent person should be responsible for verifying the existence of the capital assets/inventory under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions. Inventory records need to be developed that allows the County the capacity to monitor the reasonableness of the inventory quantities on an on-going basis.

Response – We will attempt to start developing procedures that will implement the various components of this recommendation.

Conclusion – Response accepted. However, it is important that this issue is addressed and procedures are developed in a timely manner.

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- 12-C Accounting Procedures Manual – The County does not have an accounting procedures manual for all aspects of the County’s accounting systems (mainly some of the individual offices).

Recommendation – Accounting procedures manuals should be prepared/updated and implemented for all aspects of the County’s accounting systems.

Response – We will attempt to have each appropriate office develop an accounting procedure manual that is current with existing procedures.

Conclusion – Response acknowledged. However, please do attempt to have each appropriate office work on this in the near future.

- 12-D Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies that require:

- daily off-site storage for backup tapes for all aspects of the County’s accounting systems.
- password changes because software does not require the user to change log-ins/passwords periodically.
- password length to be set at a minimum of at least eight characters and require use of multiple characters on the keyboard.
- automatic log-off provisions when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.
- special passwords to change pay rates.
- unique user IDs versus group user IDs.

Recommendation – Written policies should be developed addressing the above information system issues in order to improve the control over computer based systems. This recommendation, as applicable, does apply to Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

Response – We will work on implementing these computer related policies in all offices. We will seek assistance from Solutions and any other software providers to address these recommendations.

Conclusion – Response acknowledged. However, please do attempt to implement these information system recommendations in the near future.

- 12-E Job Rotations – Financial personnel’s duties are not always rotated for a period of time each fiscal year.

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and have each person’s duties performed by another employee when a person is on vacation. Employees should be cross-trained to be able to

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perform a fellow employee's duties. This recommendation does apply to Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

Response – We will have each office/entity work on rotating duties and cross-training within economic constraints.

Conclusion – Response acknowledged. However, please do attempt to implement this recommendation. Employees from other offices/departments could be used to implement this recommendation.

- 12-F Collection Procedures/Write-Off of Bad Debt – The County does not have any written policies or procedures on collecting delinquent non-property tax receivables or on approval for write-off of bad debt.

Recommendation – The County needs to develop written policies and procedures regarding collection of delinquent non-property tax receivables/approval for write-off of bad debt (which needs to be documented in the Board minutes).

Response – We will attempt to develop policies and procedures for collection of receivables and will document in the Board minutes any approval for collection procedures to stop on bad debts.

Conclusion – Response acknowledged. Please attempt to implement this recommendation in a timely manner.

- 12-G Vehicle Usage/Fuel Test – When filling courthouse or conservation vehicles with fuel, the vehicle's identification and the mileage at the time of fueling are not always noted on the receipt. Vehicle mileage should be compared to fuel consumption on a regular basis by an independent person.

Recommendation – When filling courthouse or conservation vehicles with fuel, the vehicle's identification and the mileage at the time of fueling should be noted on the receipt. Mileage logs should be kept on each vehicle, tested against the fuel charged to each vehicle to verify reasonableness and any differences/variations noted should be investigated.

Response – We will have the appropriate County departments address this.

Conclusion – Response acknowledged. Please do consider implementing this recommendation in all appropriate offices.

- 12-H Ambulance Records – The ambulance run reports are not prenumbered. Additionally, the ambulance records maintained in QuickBooks are not reconciled on a regular basis to the County Treasurer's records and the billing company's records.

Recommendation – The ambulance run reports should be prenumbered and the numerical sequence should be monitored for completeness. A system should be developed to have an independent person reconcile the QuickBooks records to the County Treasurer's and the billing company's records.

Response – We will have the ambulance personnel address this.

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Conclusion – Response acknowledged. Please do have the ambulance personnel work on this.

- 12-I Financial Reporting – During the audit, we identified material amounts of assets, liabilities, revenues/receipts and expenses/expenditures/disbursements not recorded properly in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all assets, liabilities, revenues/receipts and expenses/expenditures/disbursements are identified and included in the County's financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will review our procedures to identify areas where we can improve on our financial records.

Conclusion – Response accepted. Please do review your financial reporting procedures.

- 12-J Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County's expected ethics.

Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. County management needs to review audit findings identified and assess the level of risk associated with each finding and incorporate this assessed level of risk into its development of policies and procedures. County management also needs to communicate the County's expected ethics and hold County employees accountable to those expected ethics.

Response – We will work on implementing your recommendations.

Conclusion – Response accepted. Please have each of the offices evaluate what procedures can be developed to implement our recommendations.

- 12-K Payroll Issues – We noted that several salaried employees are not completing timesheets or having a supervisor sign for approval. We also noted discrepancies in the carryover balance of accrued vacation available and the amount of vacation time taken between the payroll system and the manual vacation records maintained.

Recommendation – Timesheets should be prepared and signed to attest to the accuracy of the timesheets by all personnel. The timesheets should be reviewed and approved by a supervisor or an independent person before issuing payment for the payroll period. Formal proof of the review and approval of a timesheet should be established by having the independent person initial each

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timesheet. Procedures should be implemented that help to ensure vacation carryover balances and amount of vacation time utilized are proper, regardless if manual or computerized records are used to track each employee's vacation time.

Response – The County will evaluate its payroll procedures in order to implement your recommendations.

Conclusion – Response accepted.

- 12-L E-Bay Transaction Records – The Sheriff's Office uses an E-bay account for selling some outdated items and making a few purchases for the Sheriff's department. Although the activity within the account was minimal in terms of frequency and volume of dollars during fiscal year 2012, the accounting records kept on the E-bay account activity should be more detailed.

Recommendation – Adequate accounting records need to be maintained on all financial transactions (including activity done through E-Bay).

Response – We will work on developing better, more detailed records on any E-Bay transactions (if the use of this account even continues).

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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Other Findings Related to Required Statutory Reporting:

- 12-1 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amount budgeted for any function; however, a department's appropriation was not properly approved as being increased before actual disbursements exceeded the amount appropriated.

Recommendation – Increases to appropriations should have been approved in accordance with Chapter 331.437 of the Code of Iowa before disbursements were allowed to exceed the amount appropriated for a department.

Response – County personnel will monitor the disbursements and increase appropriations when needed in accordance with the Code of Iowa in the future.

Conclusion – Response accepted.

- 12-2 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented or the necessary documentation to support the expenditure was not present. These expenditures are detailed as follows:

We noted several credit card charges and employee reimbursements which did not have any supporting documentation/invoice (this was also an issue that we found with some Assessor and Emergency Management claims). We noted some instances where sales tax was paid on purchases that appear to be exempt from sales tax. In addition, the County purchased flowers for a Conservation Board member as a remembrance for a death in the Board member's family.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The County should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures requiring detailed supporting documentation for all expenditures. All disbursements, including credit card charges, gifts, remembrances and employee reimbursements, should be supported by an actual receipt/invoice that supports the charge in detail. Please make sure you are only paying sales tax on required purchases.

Response – We will stress to employees the need to retain invoices that support all expenditures (including all credit card charges and employee reimbursements), to make sure sales tax is not being charged when not required and document the public purpose of any employee/Board member gift or remembrance.

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Conclusion – Response accepted. Please stress the importance of needing to maintain detailed support for all charges, reducing unnecessary costs and documenting public purpose of gifts/remembrances.

12-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Other Findings Related to Required Statutory Reporting: 12-2” for a possible related comment.

12-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rick Echter, Husband of Barb Echter – County Auditor Owner of Echter’s Greenhouse	Lawn products and plants	\$ 1,589

Business transactions between the Public Safety Commission and Public Safety Commission Board members or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Arlyn Pedley, Public Safety Commission Board Member Owner of The Press	Publications, advertising and office supplies	\$ 1,068

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with The Press do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year. Also, The Press is considered an “official” Public Safety Commission newspaper and the majority of the costs were for required publications/advertising.

The transactions with Echter’s Greenhouse appear to represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation – The County should comply with the Iowa Code regarding business transactions between the County and County officials and employees. The County should consult with the County Attorney to determine the disposition of this matter.

Response – We will discuss this issue with the County Attorney and implement appropriate procedures to make sure the Iowa Code is complied with in the future.

Conclusion – Response accepted.

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12-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

12-6 Board Minutes — No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not, except for several short-term interfund loans issued during fiscal year 2012 from the General Fund to the Flex Spending Fund.

Recommendation —In accordance with Chapter 331.477 of the Code of Iowa, a short-term interfund loan should be formally approved by the Board by passing a resolution and the interfund loan needs to be repaid by the end of the fiscal year in which the loan was issued.

Response — We will have the Board approve all interfund loans in the Board minutes in the future.

Conclusion — Response accepted.

12-7 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

12-8 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

12-9 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review the “Findings Related to the Financial Statements – Internal Control Deficiencies” for reportable conditions that relate to the Extension or could improve the Extension’s internal control.

We noted incorrect amounts/errors in the end of the year carryover calculation. While the incorrect amounts/errors did not end up changing the final results (the Extension complied with the Iowa Code for ending balance requirements), Iowa State University Extension is carrying the wrong balance forward.

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Recommendation – The corrections to the end of year carryover compliance report need to be made and submitted to Iowa State University Extension to ensure that balances used in future reports are correct going forward.

Response – We will make the corrections and submit the corrections to the necessary entities.

Conclusion – Response accepted.

- 12-10 Public Safety Commission Funding – The Public Safety Commission is currently using more of a “how much can each entity afford to contribute” approach for member funding rather than the statutory allowed funding methods.

Recommendation – The Public Safety Commission should comply with Chapter 28E.23 of the Code of Iowa for member funding. The Public Safety Commission should consult with an attorney regarding this issue.

Response – The Public Safety Commission is working on developing member funding that will be in-compliance with the Code of Iowa.

Conclusion – Response acknowledged.

- 12-11 Financial Conditions – The Mental Health Fund had a deficit fund balance at June 30, 2012 of \$141,236 and the County Tax Increment Financing Fund had a deficit fund balance at June 30, 2012 of \$355,414.

Recommendation – The County should investigate alternatives to eliminate these deficit fund balances in order to return these funds to a sound financial position.

Response – We are making every effort to keep Mental Health related claims stay within the available revenues. TIF collections are going to be used to eventually eliminate the County Tax Increment Financing Fund deficit.

Conclusion – Response accepted

Osceola County

Staff

This audit was performed by:

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